


# HgCapital Trust plc

Private equity investment trust of the year  
*Investment Week Awards 2005*

Interim report and accounts  
30 June 2006

HgCapital 



## Investment objective

The objective of the Company is to provide shareholders with long-term capital appreciation in excess of the FTSE All-Share Index by investing in unquoted companies.

The Company provides investors with exposure to a diversified portfolio of private equity investments primarily in the UK and Continental Europe.

**+13.7%**

The strong growth in net assets (total return) continues.

**+11.3%**

Share price and dividend (total return) versus the FTSE All-Share Index return of 6.1%.

**+17.5 % p.a.**

10 Year total return performance p.a. versus 8.0% p.a. from the FTSE All-Share Index.

**5x**

10 Year investment return for every £1 invested.

**£32m**

A strong first half of realisations with further significant gains secured post period end.

**£40m**

Our deep sector knowledge has given us a competitive advantage when sourcing opportunities.

# Chairman's statement

## Performance

I am pleased to report that for the period under review the Company continued to deliver strong NAV growth compared to the FTSE benchmarks. Net asset value per share (NAV) increased by 12% and total return to shareholders (NAV plus dividend) over the period was 13.7% compared with 6.1% for the FTSE All-Share Index and 3.7% for the FTSE Small-Cap Index. The Company's share price rose by 9.6% from 583.5p to 639.5p.

Revenue return per share was 4.0p, compared with 7.6p in the same period last year. As explained in earlier reports to shareholders, the Company's revenue will vary from year to year in accordance with the structure of the underlying investments.

## Realisations

A series of successful realisations that commenced in 2004 continued through the period, with full and partial realisations yielding proceeds of £32 million which contributed to the growth in NAV, with sales proceeds being at above year end book value. ClinPhone was successfully floated on the London Stock Exchange; Travelsphere was sold; and the Company's remaining holding in Raymarine plc was placed.

Additionally, the Manager took advantage of the continuing strong market conditions to agree the sale of investments in Castlebeck and Pharma Bio Research (PBR). These sales were completed post period end but their valuations as at 30 June were increased to reflect the sale proceeds achieved.

## New Investments

The Company invested a total of £37 million through three new buy-outs and a new investment in a renewable energy project. Follow-on investments totalling £3 million were made in six other holdings.

As announced when the Company made its first commitment to invest in renewable energy, the Board agreed to roll over the Company's investments in this sector into a holding within the Manager's new specialist fund. €20 million was committed on the first closing of the fund. This will provide the Company with a greater diversity in projects across several countries.

## Prospects

At 30 June 2006 the Company had liquid resources of £13 million, which has increased to some £40 million following the most recent disposals; providing adequate resources to fund further investment opportunities.

# Performance record

## Financial highlights

### Attributable to ordinary shareholders

Assets at:	30 June 2006 (unaudited)	31 December 2005 (audited)	% change
Net assets (£'000)	175,322	156,487	+12.0
Net assets per share	696.1p	621.3p	+12.0
Share price (mid-market)	639.5p	583.5p	+9.6

Revenue six months ended:	30 June 2006 (unaudited)	30 June 2005 (unaudited)	% change
Net revenue (£'000)	998	1,915	(47.9)
Earnings per share	4.0p	7.6p	(47.9)

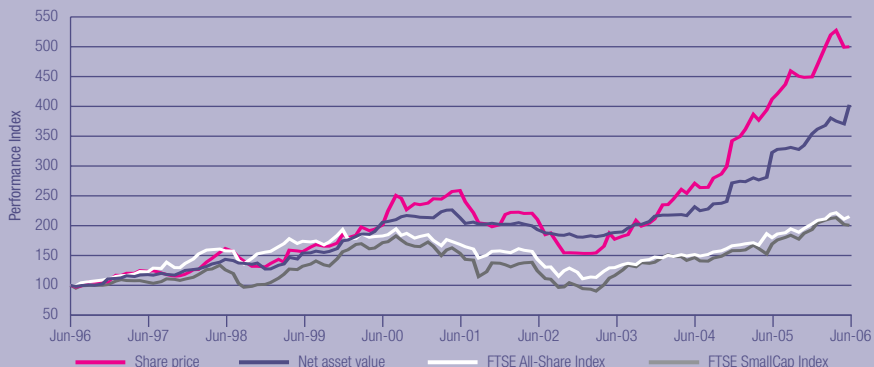
## Historical total return\* performance

	One year % pa	Three years % pa	Five years % pa	Seven years % pa	Ten years % pa
Share price	21.3	41.3	14.1	18.1	17.5
Net asset value	24.8	28.8	13.5	14.7	14.9
FTSE All-Share Index	19.7	18.4	5.0	3.1	8.0
FTSE SmallCap Index	18.5	19.9	5.5	6.2	7.2

Based on the Company's share price at 30 June 2006 and allowing for dividends to be reinvested, an investment of £1,000 ten years ago would now be worth £5,000. An equivalent FTSE All-Share Index return would be worth £2,153.

\*Total return assumes all dividends have been reinvested. Source: Bloomberg

## Ten year total return\* performance



Total return performance record, rebased to 100 at 30 June 1996.

\*Total return assumes all dividends have been reinvested. Source: Bloomberg

## Investment manager's review

Attribution analysis of movements in net asset value for the six months ended 30 June 2006.

	£'000
Opening net asset value as at 1 January 2006	156,487
Gross revenue	2,061
Expenditure	(1,727)
Taxation	(76)
Dividends paid	(2,519)
Realised proceeds in excess of 31 December 2005 book value (excludes gross revenue)	6,786
Net unrealised appreciation of investments	18,540
Carried interest provision	(4,230)
<b>Closing net asset value as at 30 June 2006</b>	<b>175,322</b>

### Portfolio

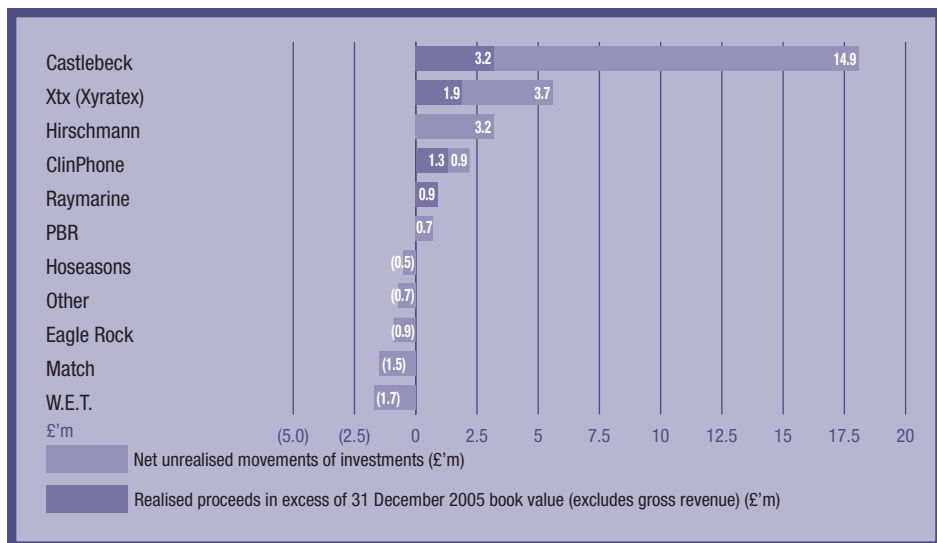
The Company invests alongside other clients of HgCapital. Typically, the Company's holding forms part of a much larger stake in predominantly buy-out investments of between £50 million and £350 million, controlled by HgCapital. The Investment Manager's Enterprise Value ("EV") generally refers to each transaction in its entirety, apart from the tables, which detail the Company's participation, and where it specifically says otherwise.

The Company's net asset value increased from £156 million to £175 million during the period under review. This arose from unrealised movements and realised proceeds in excess of the book value of £18.5 million and £6.8 million respectively, following

continued strong earnings growth and cash generation within the portfolio.

The Company's investments in Castlebeck and PBR have both been sold since the period end at a significant uplift to the December 2005 carrying value. The net asset value at 30 June 2006 fully reflects the proceeds subsequently received from these investments. In addition strong profit growth from the buy-out portfolio, in particular, Hirschmann, Blue Minerva and Clarion have contributed to the increase in value. The Company's quoted investments have also performed well, with Raymarine being realised during the period and a strong share price growth in Xtx (Xyratex) as well as the flotation of ClinPhone.

Realised and unrealised movements in net asset value during the period.



A minority of the Company's investments performed below expectations. In particular, Match, Hoseasons and Eagle Rock continue to experience trading difficulties and have been written down further in value.

During the period, the Company invested a total of £40 million and participated in three new buy-out investments. These new investments were made in Visma (Norway, £382 million EV), Paragon (UK, £322 million EV) and FTSA (Canada, £53 million EV).

On 19 June 2006, HgCapital completed the first closing of the Hg Renewable Power Partners Fund, a limited partnership investing in renewable energy assets. The Company became one of the Limited partners with €20 million as its commitment to the fund at the period end.

The Company realised proceeds during the period, amounting to £32 million. These proceeds arose principally from the sale of Travelsphere, sales of quoted shares in Raymarine, Xtx (Xyratex) and Clinphone and the recapitalisation of both Castlebeck and The Sanctuary Spa.

### Prospects

The economic environment remains positive in our target markets of the UK, Germany and Benelux and as a result liquidity in the Private Equity and debt markets remains high, at least near term. Competition for identifying and securing new investments remains high with aggregate pricing in line with the FTSE All-Share Index. We have taken advantage of these conditions with timely sales. History suggests that there will be good investment opportunities ahead particularly when the markets turn. The overall portfolio is relatively young, following new investments and sales but with strong earnings growth potential.

We will continue to secure new investments with confidence that dedicated sector knowledge, selection disciplines and dedicated investment management resources will enable us, not only to pick the right opportunities, but to support the delivery of profit and value growth. Investment in our team, skills and differentiation is on going with eight new joiners since December, bringing our total executive team to 27 for £2.7 billion of funds under management.

# Portfolio analysis

A diverse portfolio, invested along sector lines, with an increasing exposure to Continental Europe.

At 30 June 2006 the Company's portfolio consisted of 44 investments, of which the 20 principal investments represented over 90% of the portfolio valuation.

The Company offers both sector and geographic diversification in a portfolio of fast growing small cap stocks. The top 20 investments in aggregate are growing in both revenues and profits in excess of 20% per annum. The portfolio's valuation increased in the first six months of the year to £163 million, benefiting from strong profit growth and positive cash flow, particularly in the buy-out companies.

Four new investments were made during the period – three management buy-outs and one renewable energy investment. The management buy-outs

were: the public to private acquisition of Visma, a Norwegian software company; the acquisition of FTSA, the world leading crash test dummy business; and the secondary purchase of Paragon, a leading UK care home business.

Four investments were fully realised and six were partially realised, through the sale of quoted shares, recapitalisations and the trade sale of businesses. In aggregate, capital proceeds from these realisations produced a 57% uplift over the carrying value and a 96% uplift over cost.

Proceeds from realisations resulted in the Company ending the period with £13 million of liquid resources. These resources, combined with a £25 million borrowing facility, position the Company to exploit new investment opportunities.

## Asset class

Unquoted	84%
Quoted	9%
Cash and other assets	7%



## Geographic spread by valuation

UK	53%
Germany	23%
North America	9%
Europe other	8%
Benelux	6%
Ireland	1%



## Valuation basis

Cost	45%
Sales proceeds	17%
Earnings	13%
Written down/off	11%
Quoted	10%
Net assets	2%
Third party	2%



## Deal type by valuation

Buy-out	91%
Expansion	4%
Fund	2%
Venture	2%
Renewable energy	1%



## Sector by valuation

Technology	30%
Industrials	27%
Healthcare	26%
Media	7%
Leisure	6%
Fund	2%
Consumer	1%
Renewable energy	1%



## Vintage by valuation

2006	23%
2005	21%
2004	13%
2003	17%
2002	18%
2001	2%
2000	1%
Pre-2000	5%





The Company invested £40 million in the six months ended 30 June 2006.

Company	Sector	Activity	Deal type	Cost £'000
Visma	Technology	Accounting and business software	Buy-out	13,268
FTSA	Industrials	Crash test dummies	Buy-out	12,351
Paragon	Healthcare	Care homes	Buy-out	10,799
Wind Direct	Renewable energy	Industrial site wind farms	Renewable energy	710
<b>New investments</b>				<b>37,128</b>
Schenck	Industrials	Industrial measuring and weighing systems	Buy-out	2,372
PBR	Healthcare	Clinical trial management	Buy-out	654
Other				138
<b>Further investments</b>				<b>3,164</b>
<b>Total investment by the Company</b>				<b>40,292</b>

Figures below refer to the total size of each acquisition, including debt raised from third parties, made by HgCapital on behalf of its clients, including the Company.

## New investments

### FTSA

In March 2006, HgCapital completed the £53 million buy-out of FTSA, the global market leader in the design and manufacture of crash test dummies for use in the automotive and aerospace industries. It also provides associated technical support and laboratory services, develops and supplies sophisticated software for computer-simulated crash testing, as well as niche engineering services and products to the medical and aerospace industries. Its sales are split evenly between North America, Europe and the Far East.

### VISMA

In May 2006, HgCapital completed the £382 million buy-out of Visma, the number one provider of business software and related services to small and medium sized enterprises in the Nordic region. Headquartered in Oslo with significant revenues in Sweden, Finland and Denmark, the company provides accounting, resource planning and payroll software, outsourced book-keeping and payroll services, in addition to debt collection and procurement services to its customer base of over 200,000 enterprises.

### Paragon

In April 2006, HgCapital completed the £322 million buy-out of Paragon Healthcare Group. Paragon owns and operates small community based homes

for adults with learning disabilities and associated physical disabilities, autistic spectrum disorders, complex needs and acquired brain injury. The company currently operates 1,600 beds in 242 services across England and Scotland.

### Wind Direct

In January 2006, we completed our third renewable energy investment by securing the exclusive rights to acquire 100MW of small UK wind farms from Wind Direct Limited. Wind Direct places wind turbines at industrial sites in the UK, selling power at below conventional power prices to the industrial customer under long-term, inflation linked power sales contracts.

## Further investments

### Schenck

In June 2006, Schenck completed the acquisition of Stock Equipment Company (USA) Inc, the world market leader for bulk material handling and feeding systems for coal-fired power plants, giving them exposure to one of the key growth industries not previously covered.

### PBR

During the period, a short-term bridging loan was provided to PBR, ahead of the sale of the business. Since the period end, PBR has been sold to PRA International, the US listed global clinical research organisation, for consideration of £85 million. The deal is part cash and part quoted shares and at 30 June, PBR has been valued based on the cash received, together, with the closing value of the quoted shares received.

# Realisations

Proceeds from realisations totalling £32 million for the six months ended 30 June 2006.

Company	Sector	Exit route	Cost £'000	Proceeds † £'000	2006 return † £'000
Travelsphere	Leisure	Financial	3,899	7,929	4,030
Raymarine**	Consumer	Quoted share sale	61	4,384	4,323
Other*		Liquidation	5,445	23	(5,422)
<b>Full realisations</b>			<b>9,405</b>	<b>12,336</b>	<b>2,931</b>
Xtx (Xyratex)***	Technology	Quoted share sale	3,621	7,149	3,528
ClinPhone	Healthcare	IPO	1,079	5,623	4,544
Castlebeck	Healthcare	Recapitalisation	156	5,073	4,917
The Sanctuary Spa	Leisure	Recapitalisation	1,480	1,644	164
Other	Fund	Capital distribution	49	55	6
<b>Partial realisations</b>			<b>6,385</b>	<b>19,544</b>	<b>13,159</b>
<b>Total realisations</b>			<b>15,790</b>	<b>31,880</b>	<b>16,090</b>

†Includes gross revenue received during the period. \*Includes entities liquidated during the period which had previously been written down.  
 \*\*Listed on the London Stock Exchange. \*\*\*Traded on NASDAQ.

## Full realisations

### Travelsphere

Travelsphere is the UK's leading direct-sell escorted tour operator serving the over 45 age group. In May 2006 we completed the realisation of our holding in Travelsphere with a sale of the business to Electra Partners Europe. This investment has returned 2.5 times the original investment cost.

### Raymarine

Raymarine is one of the world's largest suppliers of marine electronic products to the leisure boating market. In December 2004 the business was floated on the London Stock Exchange and in January this year the remaining interest in the business was sold. This investment has returned 4.4 times the original investment cost.

## Partial realisations

### Castlebeck

Castlebeck is the UK's leading independent provider of specialist healthcare and rehabilitation services for adults and adolescents with learning disabilities and challenging behaviour. Over the life of our investment the business has delivered strong earnings growth which has enabled us to complete two recapitalisations of the business and return cash to investors. Since the period end the

business has been sold to an associate of Barchester Healthcare.

### ClinPhone

In June 2006, we completed the flotation of ClinPhone on the London Stock Exchange. ClinPhone is a leading specialist supplier of technology solutions to the clinical trials industry. Our clients have retained a 6.2% stake which is subject to a six month lock-in period. This investment has returned 3.5 times the original cost (including the unrealised value). In line with UK GAAP, this investment has been valued at the closing bid-market price as at 30 June 2006.

### The Sanctuary Spa

The Sanctuary Spa is the UK's leading women only day spa and beauty products business. During the period the business has been recapitalised enabling cash to be returned to investors.

### Xtx (Xyratex)

During the period, we took the opportunity to realise 36% of our client's holding in Xyratex, the NASDAQ quoted data storage and network technology business. This investment has returned 2.6 times the original cost (including the unrealised value).

## 1 Castlebeck

Sector: Healthcare Location: UK  
Year of investment: 2002 [www.castlebeck.com](http://www.castlebeck.com)

In July 2002, HgCapital completed the £50 million buy-out of Castlebeck Group Limited from 3i plc. We hold an 89% equity stake in the business.

Castlebeck is the UK's largest private provider of residential healthcare for adults with learning disabilities and challenging behaviour. It operates fourteen independent hospitals and homes based in the north-east of England and Scotland. The company opened several new properties, including a new specialist autism unit and adolescent homes. Following strong performance, HgCapital recapitalised the business in both 2005 and 2006, returning £47 million in proceeds to investors. Since the period end, the business has been sold to an associate of Barchester Healthcare for £255 million. This returned a further £125 million to clients, which is fully reflected in 30 June 2006 valuation.

## 2 Xtx (Xyratex)

Sector: Technology Location: UK Ticker: XRTX:US  
Year of investment: 2003 [www.xyratex.com](http://www.xyratex.com)

In September 2003, HgCapital completed the £50 million buy-out of Xyratex for a fully-diluted stake of 45%. Since our investment the company has been trading ahead of plan and, in June 2004, completed an initial public offering on NASDAQ.

Xyratex is a global provider of enterprise-class data storage subsystems and storage process technology. Storage technology provides the means by which business and personal IT data can be captured, processed, stored and retrieved in a digital form.

During the period we took the opportunity to sell 36% of our holding in Xyratex.

## 3 VISMA

Sector: Technology Location: Norway  
Year of investment: 2006 [www.visma.com](http://www.visma.com)

In May 2006, HgCapital completed the £382 million buy-out of Visma, the number one provider of business software in the Nordic region. We hold a 57% stake in this business.

Full details of this investment can be found on page 7 in the investments section of this report.

## 4 FTSA

Sector: Industrials Location: Canada  
Year of investment: 2006 [www.ftsa.com](http://www.ftsa.com)

In March 2006, HgCapital completed the £53 million buy-out of FTSA, the global market leader in the design and manufacture of crash test dummies. We hold an 80% stake in this business.

Full details of this investment can be found on page 7 in the investments section of this report.

## 5 Schenck

Sector: Industrials Location: Germany  
Year of investment: 2005 [www.schenck-mpt.de](http://www.schenck-mpt.de)

In December 2005, HgCapital successfully completed the €205 million buy-out of Schenck and acquired an 85% stake in the business.

Schenck is the global market leader for high-tech applications and solutions in industrial weighing, feeding and automation. Schenck develops, manufactures, assembles, markets and sells a full range of solutions, products, systems and turnkey systems on the basis of reliable components, combining process-engineering expertise and field-proven technology. Schenck has activities in more than 40 countries and operates eleven state-of-the-art assembly facilities globally.

In June 2006, Schenck completed the acquisition of Stock Equipment Company (USA) Inc, the world market leader for bulk material handling and feeding systems for coal-fired power plants, giving them coverage of one of the key growth industries not previously covered.

## Review of principal investments

### 6 Paragon

Sector: Healthcare Location: UK

Year of investment: 2006 [www.milburycare.com](http://www.milburycare.com)

In April 2006, HgCapital completed the £322 million buy-out of Paragon Healthcare Group. We have a 52% stake in this business. Full details of this new investment can be found on page 7 in the new investments section of this report.

### 7 Hirschmann Electronics

Sector: Industrials Location: Germany

Year of investment: 2004 [www.hirschmann.de](http://www.hirschmann.de)

The €115 million buy-out of Hirschmann Electronics from Rheinmetall AG was completed in March 2004. We have an 80% equity stake in the business.

Hirschmann is a world-market-leading supplier of electronics equipment, components and related accessories. Principal products include industrial Ethernet and networking equipment, sophisticated car-antenna electronics, television transmission equipment, and safety systems for mobile plant equipment such as cranes.

### 8 Addison

Sector: Technology Location: Germany

Year of investment: 2005 [www.addison.de](http://www.addison.de)

The €78 million buy-out of Addison was completed in June 2005. We have a 93% equity stake in the business.

Addison is a leading, privately-owned German application software company that provides business-critical solutions to two related markets – tax accountants and SMEs. It develops licenses and manages standard and sector specific software for bookkeeping, accounts production, tax, cost accounting, payroll administration and controlling.

In December 2005, HgCapital made a further investment in Addison of €14 million, to fund the acquisition of PBSG, the number 3 player in the German tax accountant software market. The two businesses are in the process of being integrated.

### 9 Classic Copyright t/a Boosey and Hawkes

Sector: Media Location: UK

Year of investment: 2003 [www.boosey.com](http://www.boosey.com)

The £84 million public-to-private acquisition of Boosey & Hawkes was completed in December 2003. All instrument manufacturing operations associated with Boosey & Hawkes were sold in February 2003 and form no part of this investment. We have a 77% equity stake in the business.

Boosey & Hawkes is the world's leading classical music publisher with a 14% market share. It owns, develops and exploits the largest catalogue of classical music copyrights of works by composers such as Britten, Prokofieff, Rachmaninoff, Ravel, Shostakovich, Strauss and Stravinsky. Revenue is derived from royalties when the copyrights are played live or via media. The business is now looking at opportunities to consolidate a fragmented market.

### 10 Blue Minerva t/a IRIS

Sector: Technology Location: UK

Year of investment: 2004 [www.iris.co.uk](http://www.iris.co.uk)

The £102 million buy-out of IRIS Software was completed in July 2004. We have a 60% equity stake in the business.

IRIS Software is one of the largest independent business software providers to UK accountancy practices and SMEs. In 2005, IRIS acquired Exchequer Software, an award-winning independent software house specialising in mid-range accounting software. IRIS won 'Business of the Year' in the South East regional finals of the National Business Awards 2005. Following strong performance in 2005, HgCapital recapitalised Blue Minerva in December 2005, returning over £26 million to its clients.

# Top 20 investment listing of the Company

Company	Sector	Residual cost £'000	Valuation £'000	Year of investment	Portfolio value %	Cum. value %
1 Castlebeck Group Ltd	Healthcare	705	23,103	2002	14.1	14.1
2 Xtx Ltd (Xyratex)**	Technology	3,374	13,210	2003	8.1	22.2
3 Visma Holdings Lux SARL†	Technology	13,268	12,972	2006	7.9	30.1
4 FTSA Holdings Ltd	Industrials	12,351	12,351	2006	7.6	37.7
5 Schenck MPT SA†	Industrials	11,698	11,838	2005	7.2	44.9
6 Paragon Ltd	Healthcare	10,799	10,799	2006	6.6	51.5
7 Hirschmann Electronics Holdings SA	Industrials	2,669	7,349	2004	4.5	56.0
8 Addison Luxembourg SA†	Technology	6,499	6,678	2005	4.1	60.1
9 Classic Copyright (Holdings) Ltd	Media	6,033	5,943	2003	3.6	63.7
10 Blue Minerva Ltd	Technology	2,957	5,728	2004	3.5	67.2
11 Elite Holding SA†	Technology	5,749	5,652	2005	3.5	70.7
12 Sporting Index Group Ltd	Leisure	5,428	5,428	2005	3.3	74.0
13 Clarion Events Ltd	Media	4,965	5,264	2004	3.2	77.2
14 W.E.T Holding (Luxembourg) SA	Industrials	7,590	5,099	2003	3.1	80.3
15 Hoffman M.M. SA†	Industrials	4,747	4,794	2005	2.9	83.2
16 PBR Holding SA	Healthcare	5,628	4,587	2002	2.8	86.0
17 The Sanctuary Spa Holdings Ltd	Leisure	1,099	2,771	1995	1.7	87.7
18 Rolfe & Nolan Holdings plc	Technology	238	2,034	2003	1.2	88.9
19 Doc M SARL†	Healthcare	1,956	1,905	2004	1.2	90.1
20 ClinPhone plc*	Healthcare	7	1,903	1996	1.2	91.3
<b>Top 20 Investments</b>		<b>107,760</b>	<b>149,408</b>		<b>91.3</b>	<b>91.3</b>
Other Investments (24)		39,728	13,904		8.7	100.0
<b>Total Investments (44)</b>		<b>147,488</b>	<b>163,312</b>		<b>100.0</b>	<b>100.0</b>

\*Listed on the London Stock Exchange.

\*\*Traded on NASDAQ.

†The difference between cost and valuation is due to foreign exchange movements.

# Income statement

for the six months ended 30 June 2006

	Notes	Revenue return		Capital return		Total return	
		Six months ended 30.6.06 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)	Six months ended 30.6.06 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)	Six months ended 30.6.06 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)
Gains on investments and government securities		–	–	25,326	37,706	25,326	21,332
Carried interest provision		–	–	(4,230)	(2,976)	(4,230)	–
Income	5	2,061	4,963	–	–	2,061	2,937
Investment management fee	6	(353)	(587)	(1,057)	(1,761)	(1,410)	(1,241)
Other expenses	7(a)	(317)	(498)	–	–	(317)	(241)
Net return on ordinary activities before taxation		1,391	3,878	20,039	32,969	21,430	22,787
Taxation on ordinary activities		(393)	(471)	317	528	(76)	(192)
Transfer to reserves		998	2,965	20,356	33,497	21,354	22,595
Return per ordinary share		3.96p	7.60p	80.82p	132.99p	84.78p	89.71p
							144.76p

The total column of this statement represents the Company's income statement. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Trust Companies ("AITC"). All recognised gains and losses are disclosed in the revenue and capital columns of the income statement and as a consequence no statement of total recognised gains and losses has been presented.

All revenue and capital items in the above statement derive from continuing operations.

# Balance sheet

as at 30 June 2006

	30.6.06 £'000 (unaudited)	30.6.05 £'000 (unaudited)	31.12.05 £'000 (audited)
<b>Fixed assets</b>			
Investments held at fair value			
Quoted at market valuation	15,925	17,832	18,736
Unquoted at directors' valuation	147,387	97,597	109,504
	163,312	115,429	128,240
<b>Current assets</b>			
Debtors	5,185	7,058	6,609
Government securities	12,447	16,104	24,515
Cash	909	4,829	867
	18,541	27,991	31,991
Creditors – amounts falling due within one year	(6,531)	(800)	(3,744)
Net current assets	12,010	27,191	28,247
Net assets	175,322	142,620	156,487
<b>Capital and reserves</b>			
Called up share capital	6,296	6,296	6,296
Share premium account	14,123	14,123	14,123
Capital redemption reserve	1,248	1,248	1,248
Capital reserve – realised	131,754	114,366	122,191
Capital reserve – unrealised	15,726	(59)	4,933
Revenue reserve	6,175	6,646	7,696
Total equity shareholders' funds	175,322	142,620	156,487
Net asset value per ordinary share	696.1p	566.2p	621.3p





### 1. Principal activity

The principal activity of the company is that of an investment company within the meaning of section 266 of the Companies Act 1985.

### 2. Basis of preparation

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ("SORP") issued in December 2005. All of the Company's operations are of a continuing nature. The same accounting policies used for the year ended 31 December 2005 have been applied.

### 3. Dividends

It is intended that dividends will be declared and paid annually in respect of each accounting period. A dividend of 10.00p per share, declared as a final dividend, was paid on 2 May 2006 in respect of the year ended 31 December 2005 (year ended 31 December 2004: 8.00p per share, declared on 8 March 2005 and paid on 29 April 2005).

### 4. Issued share capital

There were 25,186,755 ordinary shares in issue for the six months ended 30 June 2006 and 30 June 2005 and the year ended 31 December 2005.

### 5. Income

	Six months ended 30.6.06 £'000 (unaudited)	Six months ended 30.6.05 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)
<b>Income from investments</b>			
UK unquoted investment income	1,237	1,484	2,251
UK dividends from listed companies	82	814	833
Overseas dividends	—	8	18
	<b>1,319</b>	<b>2,306</b>	<b>3,102</b>
<b>Other income</b>			
Gilt interest	719	611	1,692
Deposit interest	23	20	146
Underwriting commission	—	—	23
	<b>742</b>	<b>631</b>	<b>1,861</b>
<b>Total income</b>	<b>2,061</b>	<b>2,937</b>	<b>4,963</b>

[ Notes to the financial statements continued ]

6. Investment management fee

	Revenue return			Capital return		
	Six months ended 30.6.06 £'000 (unaudited)	Six months ended 30.6.05 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)	Six months ended 30.6.06 £'000 (unaudited)	Six months ended 30.6.05 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)
Investment management fee	300	264	500	900	792	1,499
Irrecoverable VAT thereon	53	46	87	157	139	262
	<b>353</b>	<b>310</b>	<b>587</b>	<b>1,057</b>	<b>931</b>	<b>1,761</b>

The investment management fee is levied quarterly in arrears. Investment management fees are charged 75% to capital and 25% to revenue.

7. Other expenses

(a) Operating expenses

	Six months ended 30.6.06 £'000 (unaudited)	Six months ended 30.6.05 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)
Custodian and administration fees	95	52	137
Other administration costs	222	189	361
	<b>317</b>	<b>241</b>	<b>498</b>

(b) Reconciliation of net revenue return before taxation to net cash flow from operating activities

	Six months ended 30.6.06 £'000 (unaudited)	Six months ended 30.6.05 £'000 (unaudited)	Year ended 31.12.05 £'000 (audited)
Net return before taxation	21,430	22,787	36,847
Gains on investments held at fair value	(25,326)	(21,332)	(37,706)
Carried interest	1,254	–	2,976
(Increase)/decrease in accrued income	(134)	(599)	77
Increase/(decrease) in creditors	127	(28)	(250)
Tax on investment income included within gross income	(157)	(173)	(402)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,806)</b>	<b>655</b>	<b>1,542</b>

#### 8. Transaction costs

During the period the Company incurred transaction costs on the sale of quoted investments of £13,000 (30 June 2005: £18,000 and 31 December 2005: £33,000).

#### 9. Capital commitments

At 30 June 2006, investment purchases of £607,000 (30 June 2005: £1,653,000 and 31 December 2005: £680,000) had been authorised and contractually committed but not paid. In addition, £13,826,000 (€20,000,000) was committed to Hg Renewable Power Partners LP.

#### 10. Publication of non-statutory accounts

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the six months ended 30 June 2006 and 2005 has not been audited. The information for the year ended 31 December 2005 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

#### 11. Annual results

The Board expects to announce the results for the year ending 31 December 2006 in March 2007. The annual report should be available by the end of March 2007, with the Annual General Meeting being held in April 2007.

# Independent review report

## to HgCapital Trust plc

### Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Income Statement, Balance Sheet, Cash Flow Statement, and Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4, "Review of Interim Financial Information", issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work, for this report, or for the conclusions we have formed.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for ensuring the preparation of the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### Review work performed

We have conducted our review in accordance with guidance contained in Bulletin 1999/4, "Review of Interim Financial Information", issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

### Ernst & Young LLP

London

5 September 2006

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\*Authorised and regulated by the  
Financial Services Authority.

HgCapital is the trading name of Hg Pooled  
Management Limited

